

LEASE OF RAILROAD EQUIPMENT

AGREEMENT entered into as of the 28 day of October by and between SIGNET LEASING AND FINANCIAL CORPORATION, a Maryland corporation with an office at 7 St. Paul Street, Baltimore, Maryland 21202 (hereinafter referred to as "Lessor") and THE MARYLAND AND PENNSYLVANIA RAILROAD COMPANY, a Maryland and Pennsylvania corporation whose address is 1 West Market Street, York, Pennsylvania 17401 (hereinafter sometimes referred to as the "M&P").

RECORDATION NO. 1
NOV 23 1987 2 45 PM
INTERSTATE COMMERCE COMMISSION

W I T N E S S E T H:

Pursuant to an Agreement (the "BN Agreement") dated as of the date hereof, between Burlington Northern Railroad Company ("BN") and the M&P, the M&P is providing to BN thirty-three (33) boxcars with identifying marks listed on Exhibit A hereto, as such Exhibit may from time to time be supplemented or amended (the "Cars");

The Lessor owns the Cars and desires to lease the Cars to the M&P on the terms and conditions set forth in this Lease, with the understanding that the Cars will be used in the BN Agreement (the M&P in its capacity as lessee of the Cars hereunder is hereinafter referred to as the "Lessee").

NOW, THEREFORE, in consideration of the premises, the parties hereto agree:

1. Lease and Hire: Lessor hereby lets to Lessee and Lessee hereby leases from Lessor the Cars.

2. Rental Payments: The Lessee hereby covenants and agrees to pay, or cause to be paid to the Lessor and its successors and assigns, as basic rent hereunder, not later than ten days after the end of each month, an amount equal to (i) the Gross Revenues (as such term is defined below) received during such month minus (ii) the aggregate cost of any expenses relating to the Cars paid by Lessee pursuant to this Lease or the BN Agreement. For the purpose of this Lease, "Gross Revenues" shall be defined as all revenues in the form of rents, car hire payments of any kind or any similar payments collected in connection with the use, lease and/or operation of the Cars for a given month, less any paid or accrued reclaims, rebates or incentive loads fees with respect to the Cars during such month.

3. Term of Lease: The term of this Lease as to each Car shall begin as of the date hereof and shall terminate on the date of any termination of the BN Agreement with respect to such Car.

4. Maintenance, Taxes and Insurance:

(a) Except as otherwise provided herein, Lessor will pay all costs, expenses, fees and charges incurred in

connection with the use and operation of each Car during its lease term and any extension thereof, including but not limited to taxes, repairs, maintenance and servicing.

(b) Lessor (or the Manager on behalf of Lessor) shall be responsible for the filing and payment of all taxes, assessments and other governmental charges of whatsoever kind or character which may be accrued, levied, assessed or imposed during the lease term and which relate to the operation and use of any Car, except taxes on income imposed on Lessee.

5. Identification Marks: The Lessor will permit each Car to be numbered with the names or initials or other insignia required under the BN Agreement or customarily used by BN on railroad equipment.

6. Risk of Loss: In the event that any Car shall be or become worn out, lost, stolen, destroyed, or irreparably damaged, from any cause whatsoever, or taken or requisitioned by condemnation or otherwise (any such occurrence being hereinafter called a "Casualty Occurrence") during the term of this Lease, Lessee shall promptly and fully notify Lessor with respect thereto. Lessee shall pay to Lessor an amount equal to any amounts either received by or payable by Lessee by way of settlement for damage to or destruction of any Car.

7. Return of Cars: On termination of this Lease, Lessee will return the Cars to the Lessor at the location at which, and in the condition in which, the Cars are returned to Lessee at the termination of the BN Agreement.

8. Assignment - Use and Possession: Except as expressly provided herein, Lessee will not assign, transfer, encumber or otherwise dispose of its leasehold interest under this Lease, the Cars or any part thereof, or sublet the Cars or place any of the Cars in assigned service without the consent of the Lessor in writing first obtained. Lessee will not permit any encumbrances or liens, based upon any action or liability of Lessee, to be entered or levied upon any of the Cars.

9. Defaults; Remedies: If during the Term of this Agreement one or more of the following events ("Events of Default") shall occur:

(a) Default shall be made in the payment when due of any rent herein provided and such default shall continue for a period of three (3) business days; or

(b) Lessee shall attempt to remove, sell, transfer, encumber or sublet (except as expressly permitted under this Agreement) any Car; or

(c) A proceeding shall have been instituted in a court having jurisdiction in the premises, seeking a decree or order (i) for relief in respect of Lessee in an involuntary case

under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect or (ii) for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of Lessee or for any substantial part of its property, or (iii) for the winding up or liquidation of the affairs of Lessee; and in any such case either (I) any such proceeding shall remain undismissed or unstayed and in effect for a period of 60 consecutive days or (II) such court shall enter a decree or order granting the relief sought in such proceeding; or

(d) Lessee shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of Lessee or for any substantial part of its property or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action in furtherance of any of the foregoing; or

(e) Lessee shall have knowledge that there has occurred and is continuing any condition, event, act or omission which it reasonably believes constitutes, or with notice or lapse of time would constitute, an Event of Default under the BN Agreement and shall fail within five (5) business days of learning thereof to notify Lessor of such condition, event, act or omission;

then, in any such case, Lessor at its option may:

A. Proceed by appropriate court action or actions either at law or in equity to enforce performance by Lessee of the applicable duties and obligations of Lessee under this Agreement; or

B. By notice in writing to Lessee, terminate this Agreement, whereupon all right of Lessee to the use of the Cars shall absolutely cease and terminate as though this Agreement had never been made, and thereupon, Lessor may by its agents and without notice to Lessee enter upon the premises of Lessee or other premises where the Cars may be located and take possession of all or any such Cars and thenceforth hold, possess and enjoy the same free from any right of Lessee, or its successors or assigns, to use the Cars for any purpose whatever.

10. Indemnities: Lessor agrees to indemnify Lessee and hold it harmless from any loss, expense or liability which Lessee may suffer or incur from any charge, claim, proceeding, suit or other event which in any manner or from any cause arises in connection with the use, possession, or operation of the Cars while subject to this Lease, excepting only any such loss, expense or liability which arises from Lessee's negligence or willful misconduct or which arises as a result of the operation

of the Cars on Lessee's lines and Lessee shall indemnify Lessor for such loss, expense or liability. The indemnities and assumptions of liability herein contained shall survive the termination of this Lease. Each party shall, upon learning of same, give the other prompt notice of any claim or liability hereby indemnified against. Lessee independently agrees that it shall not take any steps that would create any claim, lien, security interest or encumbrance with respect to any Car and, should any arise solely from the action of Lessee, it shall promptly discharge the same, nor will Lessee, without the prior consent of Lessor, sell, assign, transfer or sublet the Cars except pursuant to the BN Agreement.

11. Assignment of Revenues.

Pursuant to the terms of a Security Agreement in substantially the form attached hereto as Exhibit B, Lessee has granted the Lessor a security interest in all of Lessee's right, title, and interest in and to the BN Agreement and in and to revenues to become due and payable from time to time under the BN Agreement; as collateral security for the payment and performance of all obligations and duties of Lessee to Lessor arising under or by virtue of this Lease.

12. Amendment of Lease. Lessee will not take any action to amend, modify or cancel the BN Agreement in any respect without the prior written consent of Lessor.

13. Delay or Partial Exercise. No failure or delay on the part of Lessor in exercising any right, power or privilege hereunder shall operate as a waiver thereof or of any other right, power or privilege of Lessor hereunder, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege, provided, however, that Lessee shall not be liable to Lessor for any consequential or incidental damages suffered by Lessor as a result of any such delay on the part of Lessor. The rights and remedies of Lessor hereunder are cumulative and not exclusive of any rights or remedies which it may otherwise have.

14. Elections, Notices.

(a) Lessee shall not make any election under the BN Agreement or give BN notice of substitution of a Car, earlier termination or an event of default without obtaining Lessor's prior consent thereto. Any notice required hereunder, if given in writing, shall be sent by registered or certified mail, postage prepaid, return receipt requested, to that address set forth beneath the appropriate party's signature. Either party may change such address by written notice to the other.

(b) Within three (3) business days of its receipt of written instruction to do so from Lessor, Lessee shall take appropriate action (i) to exercise any option, make any election,

or grant any consent which Lessee, under the BN Agreement, has the power to exercise, make or grant, or (ii) to enforce any rights possessed by Lessee under the BN Agreement.

(c) In the event that any proceeding is instituted by Lessee to enforce its rights under the BN Agreement, such proceedings shall be conducted at Lessor's expense by counsel satisfactory to Lessor and in accordance in all respects with the reasonable instructions of Lessor.

(d) Lessee shall have no obligation to institute or maintain any proceeding to enforce its rights under the BN Agreement, if Lessee has previously assigned to Lessor, by means of a valid, binding, and enforceable assignment, all of its rights to institute and maintain such proceeding.

15. Arbitration. Should any arbitration arise under the BN Agreement, Lessee shall promptly advise Lessor thereof and shall follow any reasonable instructions received from Lessor in regard thereto. Lessee agrees it shall undertake no settlement or appoint any arbiter thereunder without Lessor's prior consent. Lessee shall not be liable for any damage or liability sustained or incurred by Lessor relating to its failure to promptly appoint an arbiter or otherwise comply with or instruct Lessee to so comply with the terms of any arbitration provisions contained in the BN Agreement.

16. Compliance with Laws and Regulations This Lease is subject to all federal, state and other laws, rules, regulations, and ordinances which may now or hereafter affect, change or modify the terms or conditions hereof or render unlawful the performance of any of its provisions. Lessor shall comply with all governmental law, regulations and requirements and with the Code of Rules of the Association of American Railroads with respect to the use, maintenance and operation of such Cars subject to this Lease, and will file and record the same with the Interstate Commerce Commission in accordance with Section 11303 or the Interstate Commerce Act.

17. Prior Understandings. Prior understandings and agreements between the parties with respect to the Cars are merged herein, and all rights of the parties in respect of such Cars shall be governed by this Lease.

18. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when deposited in the United States Certified mails, first class, postage prepaid, addressed to the address set forth with respect to such party in the first paragraph of this Lease or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing.

19. Assignments by Lessor; Payments to Manager. Lessor shall have the right to assign this Lease, and all its interests herein, to any entity without the prior consent of

Lessee. Lessor has appointed Emons Industries, Inc. (the "Manager") as its Manager with respect to the Cars. Payments due Lessor hereunder shall be made to Manager; provided, however, that Lessee shall make payments hereunder directly to Lessor (i) upon Lessee's receipt of written notice from Lessor that (a) an Event of Default by Manager has occurred and is continuing under the Management Agreement between Lessor and Manager or (b) the Management Agreement has for any reason terminated with respect to the Cars; or (ii) automatically, without notice or other action by Lessor, upon Lessee's receipt of notice of any kind of any filing after the date hereof of a petition under any bankruptcy, insolvency or moratorium law by or against Manager.

20. Severability, Effect and Modifications of Lease. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provisions in any other jurisdiction.

21. Governing Law. This Lease shall be governed by and construed in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the parties have duly executed this Lease the day and year first above written.

ATTEST:

SIGNET LEASING AND FINANCIAL
CORPORATION

BY: 

BY:  V.P.

ATTEST:

THE MARYLAND AND PENNSYLVANIA
RAILROAD COMPANY

BY:  Secretary

BY:  V.P.

STATE OF Maryland)
COUNTY OF Baltimore) ss.:

On the 28th day of October, 1987 before me personally appeared Andrzej Hopkewski, to me personally known, who being by me duly sworn, says that he is the Vice President of SIGNET LEASING AND FINANCIAL CORPORATION, Lessor in the foregoing Lease of Railroad Equipment, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Jane M. Christ
Notary Public

Pennsylvania
STATE OF ~~NEW YORK~~)
COUNTY OF ~~NEW YORK~~) ss.:

On the 28th day of October, 1987 before me personally appeared Richard Meyers, to me personally known, who being by me duly sworn, says that he is the Vice President of the MARYLAND AND PENNSYLVANIA RAILROAD COMPANY, Lessee in the foregoing Lease of Railroad Equipment, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Annmarie Wileczek
Notary Public

ANNMARIE WILECZEK, Notary Public
York, York County, Pennsylvania
My Commission Expires April 15, 1990

EXHIBIT A

Current Reporting Marks

MPA-	100
MPA-	101
MPA-	102
MPA-	103
MPA-	104
MPA-	105
MPA-	106
MPA-	107
MPA-	108
MPA-	109
MPA-	110
MPA-	111
MPA-	112
MPA-	113
MPA-	114
MPA-	115
MPA-	116
MPA-	117
MPA-	118
MPA-	119
MPA-	120
MPA-	121
MPA-	122
MPA-	123
MPA-	124
MPA-	125
MPA-	127
MPA-	128
MPA-	129
MPA-	132
MPA-	133
MPA-	134
MPA-	135

TOTAL = 33

EXHIBIT B

SECURITY AGREEMENT

SECURITY AGREEMENT dated as of _____, 1987, between SIGNET LEASING AND FINANCIAL CORPORATION, a _____ corporation with an office at 7 St. Paul Street, Baltimore, Maryland 21202 ("Signet") and the MARYLAND AND PENNSYLVANIA RAILROAD COMPANY, a Maryland and Pennsylvania corporation with an office at One West Market Street, York, PA 17401 (the "Company").

W I T N E S S E T H:

Pursuant to an Agreement (the "BN Agreement") dated as of the date hereof between Burlington Northern Railroad Company ("BN") and the Company, the Company is providing to BN thirty-three (33) boxcars (the "Cars").

Pursuant to a Lease of Railroad Equipment (the "Lease") dated as of the date hereof between Signet, as lessor, and the Company, as lessee, the Company has agreed to hire the Cars from Signet with the understanding that the Cars will be subleased to BN pursuant to the BN Agreement.

NOW, THEREFORE, the parties hereto agree:

(1) As an inducement to Signet to execute the Lease and to consent to, among other things, the use of the Cars under the BN Agreement (and in consideration thereof), the Company hereby sells, assigns, transfers, pledges and sets over unto Signet, all of the Company's right, title and interest in and to the BN Agreement and in and to revenue to become due and payable from time to time under the BN Agreement, and the proceeds thereof, as collateral security for the payment and performance of all obligations and duties of the Company to Signet arising under or by virtue of the Lease.

(2) Upon the occurrence of any Event of Default (as such term is defined in the Lease) by the Company, unless such Event of Default shall have been waived by Signet, Signet shall have the right, upon giving BN notice of such default, but without notice to or consent of the Company, to instruct BN to pay all Net Car Hire Revenues (as such term is defined below) to Signet. For purposes hereof, the term "Net Car Hire Revenues" means Car Hire Revenues (as such term is defined in the BN Agreement) minus the aggregate cost of any expenses relating to the Cars paid by the Company pursuant to the Lease or the BN Agreement.

IN WITNESS WHEREOF, the parties have duly executed this
Security Agreement the day and year first above written.

ATTEST:

SIGNET LEASING AND FINANCIAL
CORPORATION

By: _____

ATTEST:

THE MARYLAND AND PENNSYLVANIA
RAILROAD COMPANY

By: _____

STATE OF

:
:ss.:

COUNTY OF .

:

On the ____ day of _____, 1987, before me personally appeared _____ to me personally known, who, being by me duly sworn, says that he/she is the _____ of SIGNET LEASING AND FINANCIAL CORPORATION, one of the corporations in the foregoing Security Agreement, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he/she acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

STATE OF PENNSYLVANIA:

:ss.:

COUNTY OF YORK

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On the ____ day of _____, 1987, before me personally appeared _____ to me personally known, who, being by me duly sworn, says that he is the _____ of The MARYLAND AND PENNSYLVANIA RAILROAD COMPANY, the Company in the foregoing Security Agreement, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public